

# ADVISOR [ FOCUS ]

PROVIDING INNOVATIVE SALES SOLUTIONS

Manulife Financial ▪ Fall 2011



BUILDING  
GUARANTEED INCOME  
FOR RETIREMENT

EVERYONE'S  
TALKING SYNERGY®!



## LETTER FROM BRIAN GOODING

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We've chosen a great selection of client solutions to share with you in this issue of *Advisor Focus* magazine. I'm confident you'll find useful information for growing your business and expanding your Manulife product choices.

New innovative products and enhancements in both our insurance and wealth products provide you with great options for your clients. And our planning tools and information help you create a clear picture of your clients' financial needs and recommend the right solution.

One of our most recent innovations, Synergy, is enjoying great success. Take time to read about the best conversation opportunities with this combination solution. We're pleased to also offer you and your clients an even broader suite of Manulife Mutual Fund offerings along with our new income product – Manulife PensionBuilder™.

For more information on any service or solution be sure to visit Repsource or contact your Manulife Financial sales representative. We're here to make sure you have the information and support you need to provide sound financial advice and solutions to your clients.

All the best for a great business season,

Brian Gooding  
Senior Vice President  
Distribution

For over 120 years, Manulife has been the strong, reliable, trustworthy and forward-thinking company clients and their families turn to for their most significant financial decisions.

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BUILDING GUARANTEED  
**INCOME**  
FOR RETIREMENT



## INTRODUCING MANULIFE PENSIONBUILDER™ – AN ALL-NEW, LOW-RISK RETIREMENT INCOME SOLUTION FROM MANULIFE INVESTMENTS

The face of retirement continues to evolve, introducing new challenges for retirees. In the past, many Canadians spent their entire working careers with a single company which, in turn, would set money aside to provide retirees with a pension plan that provided a lifetime guaranteed income stream. Known as defined benefit pension plans, these plans paid a set amount for the life of the employee, regardless of market volatility.

As society has changed, the reality of retirement has also changed. Canadians are living longer than before and are looking to their retirement years as a time to enjoy themselves after being a part of the workforce for so many years. Unfortunately, the increasing length of retirement has meant increased costs for employers offering lifetime pension incomes, forcing many employers to reduce benefits and to stop offering defined benefit pension plans altogether. The numbers are alarming: only one in four working Canadians now have access to an employer-sponsored defined benefit pension plan.<sup>1</sup>

Nevertheless, it's clear that many Canadians wish they had such plans to rely on. According to the 2011 Guaranteed Income Product Consumer Survey, 82 per cent of Canadians felt that having at least a portion

of their retirement income guaranteed for life was important to their retirement.<sup>2</sup> That said, the fact is that with fewer companies offering defined benefit pension plans and the retirement security that comes with them, Canadians and their advisors are being forced to take retirement income planning into their own hands.

Even the minority of people fortunate enough to have guaranteed company pension plans may discover that the amounts promised do not provide enough to maintain their desired lifestyle in retirement. Findings from the Guaranteed Income Product Consumer Survey indicate that nearly 50 per cent of Canadians with guaranteed company pension plans do not expect that they will be able to maintain the same standard of living throughout retirement.<sup>2</sup>

<sup>1</sup>Statistics Canada, Pension Plans in Canada and Labour Force Survey, April 2009.

<sup>2</sup>Manulife Investments, Guaranteed Income Product Consumer Survey, August 2011.

With different risks affecting retirement security, your clients should consider an income solution that can help fill the gap of guaranteed retirement income.

## **SOLUTION: MANULIFE PENSIONBUILDER**

Manulife PensionBuilder is a new, straightforward, low-risk income solution designed to provide dependable income in retirement that is guaranteed for life. A complement to other retirement income sources, Manulife PensionBuilder supports retirement plans and will help ensure that your clients will be financially prepared for a long and fulfilling retirement. And, in fact, 74 per cent of Canadians say that not having to worry about retirement is the most important contributor to having a happy retirement.<sup>3</sup>

This innovative income solution is designed to provide:

- A secure lifetime income stream that is designed to help form the foundation of a retirement income plan
- A higher level of retirement income the earlier you invest and the later you wait to start drawing income
- Flexibility to choose when to begin taking income – as early as age 50
- The option of uninterrupted income for life for the surviving spouse<sup>4</sup>
- A conservative investment with full access to the market value should the need arise (fees may apply)
- Important additional features, such as the ability to bypass the cost and delays of estate settlement, as well as potential creditor protection

<sup>3</sup>Investment Executive staff, "Top tips Canadian retirees wish they knew before they retired." Tuesday, May 31, 2011. [www.investmentexecutive.com/client/en/News/DetailNews.asp?id=58280&idSection=3&cat=3&ImageCl=1](http://www.investmentexecutive.com/client/en/News/DetailNews.asp?id=58280&idSection=3&cat=3&ImageCl=1)

<sup>4</sup>Spouse or common-law partner as defined by the *Income Tax Act* (Canada).



To see how Manulife PensionBuilder can be part of a sound retirement strategy for your clients, let's have a look at a couple of case studies.

## MANULIFE PENSIONBUILDER IN ACTION

### Taking income now

For investors who are already enjoying retirement, let's examine this common scenario – taking income now from Manulife PensionBuilder.

Brian, age 65, has accumulated \$100,000 in RRSPs, which he currently has invested in GICs. Brian needs income immediately. After meeting with his advisor, he decides to take the proceeds of his matured GICs and invest them in a Manulife PensionBuilder contract. When making his first withdrawal, he elects the Income Benefit at a payout percentage

of 5.25 per cent. The annual Income Benefit available to him at age 65 is **\$5,250** – Brian will receive this amount each year for the rest of his life.

### Taking income later

For investors who are still building their retirement savings, let's examine a different scenario – taking income later from Manulife PensionBuilder.

Judy, age 55, is 10 years away from retirement. After discussing her situation with her advisor, Judy invests \$100,000 in Manulife PensionBuilder and waits to take income. Because she invests well before she retires, Judy's guaranteed income from Manulife PensionBuilder will increase with certainty in the years before she starts

taking withdrawals as she benefits from 10 Income Bonuses. As Judy wishes to begin taking income at age 65, her eligible retirement income increases to 7.88 per cent of her original deposit, which equals approximately **\$7,875** per year of guaranteed income for life. That's an extra \$2,625 that Judy receives each year just for investing 10 years earlier and waiting.

These examples assume a single deposit into the Manulife PensionBuilder contract under the Single Life Payout Option, that no withdrawals are taken until the Election of the Income Benefit, and that no withdrawals in excess of the Income Benefit are made in any year after the Election of the Income Benefit. These values reflect an annual five per cent Income Bonus when income is deferred and do not include any promotional Income Bonus rate that may be offered. Income Bonuses are not cash deposits; they increase the basis for calculating guaranteed income. Manulife PensionBuilder invests in the fixed-income fund category, which may increase or decrease in value. Age restrictions and other conditions may apply.



Manulife PensionBuilder is a new, straightforward, low-risk income solution designed to provide dependable income in retirement that is guaranteed for life.

Manulife PensionBuilder is an attractive income solution for those who are either in the pre-retirement or retirement stage of their life. It offers a dependable source of income in retirement, so your clients will know with certainty the amount of income available to them in retirement.

For more information about Manulife PensionBuilder, please contact your Manulife Sales Team or visit [manulifepensionbuilder.ca/advisor](http://manulifepensionbuilder.ca/advisor). ■

## ADDITIONAL RESOURCES

There are a number of resources available to help you and your clients understand Manulife PensionBuilder and the valuable features and benefits of this innovative product.

**Manulife PensionBuilder Illustration** – a web-based tool for advisors to use with clients that shows how Manulife PensionBuilder would work under specific situations; a detailed, customized report can be created for your clients as you review these different scenarios together.

**Manulife PensionBuilder Online Calculator** – a client-friendly, web-based tool that shows how Manulife PensionBuilder would work under specific situations; look for the new mobile and tablet apps that will be available this fall.

**Marketing Support and Point of Sale Materials** – supporting material highlighting the product features and benefits.

Visit [manulifepensionbuilder.ca/advisor](http://manulifepensionbuilder.ca/advisor) to learn more about these valuable resources.





**Bill Gates**  
Windsor, Ontario

## Now you can introduce **Bill Gates** to the benefits of **Manulife PensionBuilder™**.

There are a select group of people that don't need to worry about the challenges of retirement. And then there are the rest of us. People who need a retirement solution that offers security and peace of mind for the future. That's why we've introduced Manulife PensionBuilder. This new, groundbreaking product supplements other retirement income sources to provide your clients with a guaranteed income stream for life. So now all your clients, even Bill, can help ensure they'll be prepared for the future.

Contact your Manulife Investments Sales Team or visit [manulifepensionbuilder.ca/advisor](https://manulifepensionbuilder.ca/advisor)



 **Manulife Investments**  
| For your future™

Exceeding the withdrawal thresholds may have a negative impact on future income payments. Age restrictions and other conditions may apply. The Manufacturers Life Insurance Company is the issuer of the Manulife PensionBuilder insurance contract and the guarantor of any guarantee provisions therein. Manulife, Manulife Investments, the Manulife Investments For Your Future logo, the Block Design, the Four Cubes Design, Strong Reliable Trustworthy Forward-thinking and Manulife PensionBuilder are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.



Everyone's talking

**Synergy<sup>®</sup>!**

## SYNERGY'S THREE-IN-ONE INSURANCE SOLUTION HAS ADVISORS BUZZING. HERE'S HOW TO BUILD ON THAT BUZZ AND MAKE YOUR SYNERGY CLIENT CONVERSATIONS COUNT

Since its launch in June, Synergy has been the talk of the town with advisors. As the first solution of its kind in Canada to offer the protection of three separate insurance policies – disability, critical illness and life insurance – bundled into one plan, Synergy has been getting rave reviews for being:

- **Easy to sell** – There's only one application, a simpler underwriting approach, one plan and one amount to pay
- **Unique** – Its innovative pool of money concept provides protection across three needs
- **Affordable** – By bundling three products into one solution using the pool of money concept, Synergy can offer significant cost savings to clients
- **Flexible** – Available from \$100,000 to \$500,000 in coverage that can be customized by adding a Term Insurance rider (10-year renewable to age 65) and/or a Child Protection rider (life and/or critical illness) for children

Synergy is ideal for your young mid-market clients (age 18 to 50) with families,

who typically don't own all three risk protection products. It provides financial protection that can help them maintain their lifestyle if their income is interrupted because of illness, injury or death. Funds can be used to replace lost income, pay off or fund payments on an outstanding mortgage, retire other debts, or establish an education or emergency fund.

### **Next comes the exciting part. Selling it!**

Synergy provides a terrific opportunity to finally have the conversation you've been planning to have with your clients – a much simpler conversation.

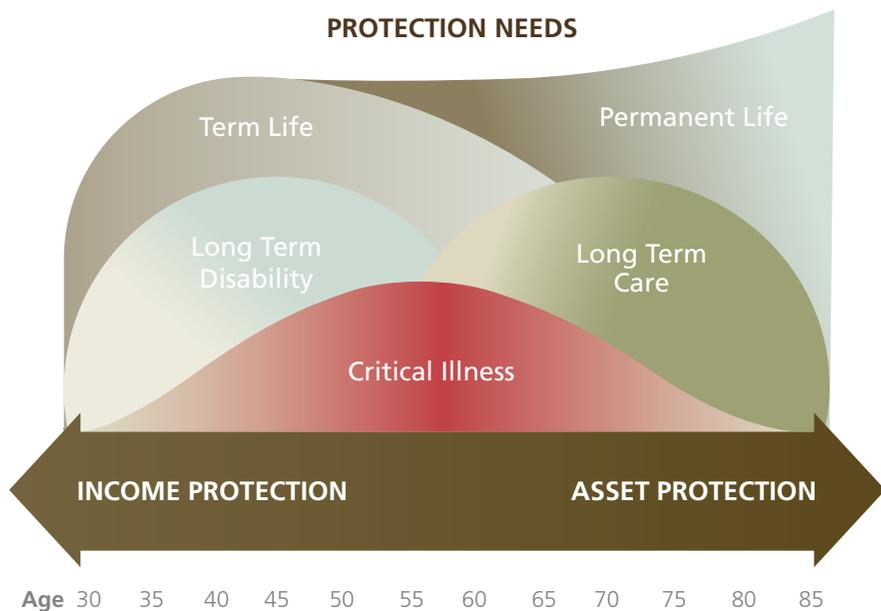
To help you start this conversation, we have developed **Let's Talk Synergy**, a series of conversations you can have with your clients targeted to their specific needs.

There are many ways to position Synergy, depending on each client's life situation and financial goals. Here, we have highlighted two conversation starters that will work for many of your clients. Visit Reppsource for even more tips and selling ideas.

There are many ways to position Synergy, depending on each client's life situation and financial goals.

## FIGURE 1: RISK MANAGEMENT FRAMEWORK

This risk management framework visual can help you show your clients the importance of good insurance planning. It helps clients see they need both income and asset protection.



### SYNERGY SOS

To help make your Synergy conversations even more information-rich and useful, we have a number of resources for you to tap into:

- More Let's Talk Synergy conversation starters, including how to position Synergy as spousal protection or an add-on to group disability coverage
- Client guide and client brochure
- Rate calculator
- Risk calculator
- And much more

Find it all on Repsource.

### CONVERSATION #1: SYNERGY AS RISK PROTECTION

**Purpose:** To illustrate to clients the importance of good insurance planning and how Synergy can help provide the protection they need across three risk areas during their income-earning years.

#### Ice breakers to start the conversation:

"I want to talk to you about a number of life risks that will factor into your lifetime financial goals and objectives."

"During your younger years, the emphasis should be on income protection and during the latter part of your life the emphasis shifts to asset protection. These are two very different risks and require different strategies."

**Takeaway:** Using a visual aid (see Figure 1) is a great way to help clients "see" their changing needs in a tangible way. Go to Repsource to download a printable version of the risk management framework.

Here's how you can use this illustration to introduce Synergy into your conversation:

"The left side of this visual, corresponding to your younger years, highlights

insurance products that can help protect you financially from major risks that can jeopardize your income. These include: critical illness insurance, to help cover your mortgage or other expenses while you recover; long term disability insurance, providing a monthly benefit to help replace your income if you're unable to work due to injury or illness; and temporary or term life insurance in the event of an untimely, unexpected death."

"Synergy can help you address three areas. It offers the protection of a three-in-one solution: a life insurance policy, a disability insurance policy and a critical illness insurance policy – all rolled into one package."

## CONVERSATION #2: SYNERGY AS MORTGAGE PROTECTION

**Purpose:** To introduce Synergy as a smart and viable alternative to the standard mortgage insurance offered by banks.<sup>1</sup> When your clients secure a mortgage with any lending institution, they will often be advised to buy a life or critical illness insurance policy, or both, to protect their mortgage.

### Ice breakers to start the conversation:

"When your lender offers you insurance, what they're really asking you to do is protect their company. The coverage is designed as creditor protection and the benefits would be used only to pay off any

remaining mortgage balance – no matter what other needs you may have."

"If something were to happen to either of you, you'd want to be able to determine how to best use any proceeds from a life, critical illness or disability policy. Let's not give your lender the ability to determine how to use your money."

"With most lenders, coverage ends if you switch lenders. The Synergy solution expires at age 65<sup>2</sup> and you own the coverage, so it makes no difference what lender you are with or how many times you switch lenders."

**Takeaway:** Focus on the sense of control clients will gain by using Synergy instead of lender mortgage insurance. Freedom of choice is a driving force for this mid-market demographic. This particular conversation will be even more compelling because your clients may never have considered this alternative to mortgage protection.

Go to Repsource for a client brochure on Synergy for mortgage protection: "Synergy. Protect yourself, not your bank." ■

Keep your clients talking about Synergy at home - have them visit the Synergy website for more information: [manulifesynergy.ca](http://manulifesynergy.ca)



<sup>1</sup>Synergy benefit amounts are not guaranteed to cover a mortgage balance. <sup>2</sup>Coverage also terminates if the available amount of insurance becomes \$0.

# Your Guide To Synergy Marketing Materials

At every point in the Synergy sale, we have the tools and resources for your Synergy conversations. **You can find them all on Repsource.**

## PREPARE YOURSELF

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Key pieces to help you understand Synergy and how to position it:

- **Underwriting handbook for Synergy (MK2536E)** – includes height and weight charts and non-smoker details
- **Synergy sample contract**
- **Let's Talk Synergy** – a series of concepts to prepare for the Synergy conversation with your clients

## GET THE WORD OUT

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Make sure your clients hear about Synergy from you first:

- **Prospecting letters** – use for direct mail campaigns to introduce Synergy to your clients. Topics include *Overview of Synergy* and *Synergy for mortgage protection*
- **Client brochure (MK2531)** and **mortgage protection flyer (MK2558)** – great pieces to add to your letter campaigns
- **www.manulifesynergy.ca** – interactive and easy-to-understand website for your clients. Includes quick Synergy facts plus risk and needs calculators.
- **Synergy sample ads** – two samples to use for advertising in your favourite publications

## CLIENT MEETINGS

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Choose the tools that are right for your client meetings:

- **Pre-underwriting checklist** – to help determine your client's eligibility for Synergy
- **Worksheets** – three to work with: *Synergy solution worksheet*, *Synergy savings worksheet – 10-year renewable* and *Synergy savings worksheet – level cost*
- **Risk calculator (MK2539)** and **rate calculator (MK2555)** – in paper format as alternatives to web-based calculators
- **Health Service Navigator brochure (MK2492)** – helpful leave-behind showcasing one example of the value-added features Synergy provides

## AFTER THE SALE

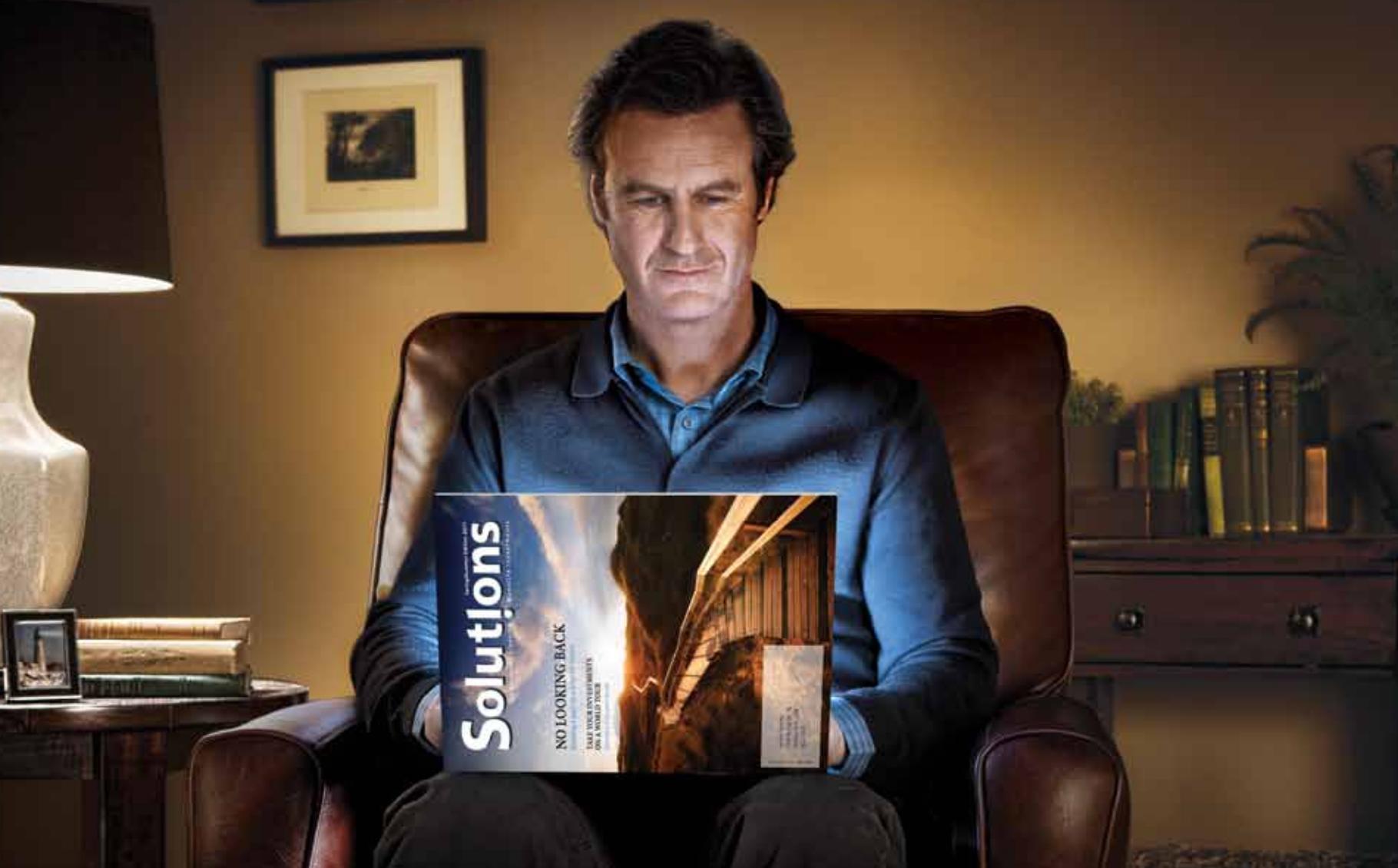
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Keep the communication strong:

- **Synergy client guide (MK2350)** – include a copy when you deliver your client's Synergy contract
- **Policy change guide** – outlines all the information and forms you need to make a change to your client's Synergy solution
- **Synergy product guide** – a valuable reference tool to help answer questions about changes clients can make to their plan

**Synergy.**

**It's not just new insurance. It's a whole new conversation.**



## Solut!ons magazine online. A new way to connect with your clients.

Share helpful financial planning ideas with your clients using Solut!ons magazine online. Choose from over 200 articles and videos organized by life goals, so you can easily tailor your messages to suit your clients' needs. Together with Solut!ons magazine, it's the perfect way to stay connected with your clients and help prepare them for their future. Try it now at [manulifeinvestments.ca/solutions](http://manulifeinvestments.ca/solutions) or on your smart phone at [m.manulifesolutions.ca](http://m.manulifesolutions.ca)

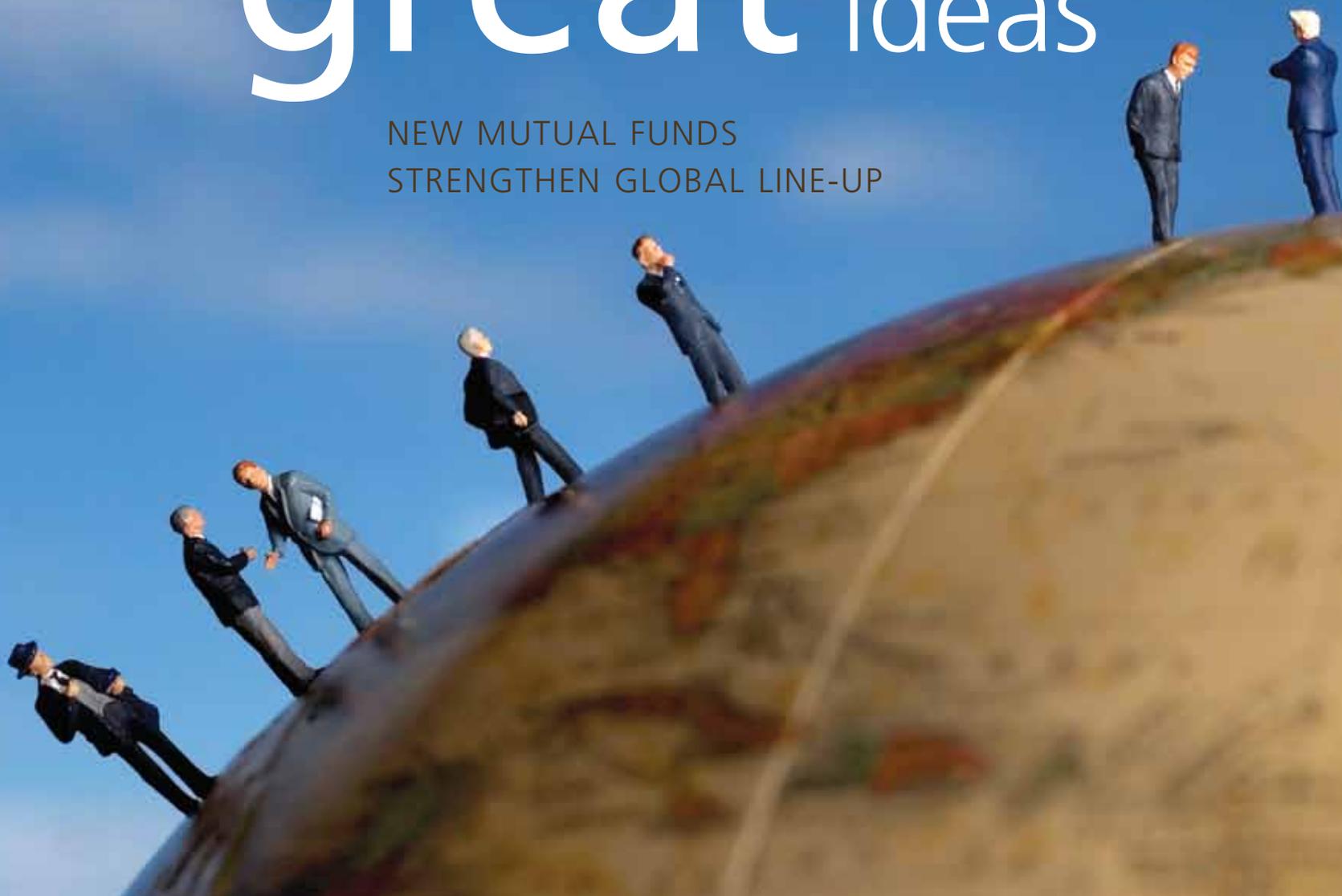


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| For your future™

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Scouring the globe  
for **great** ideas

NEW MUTUAL FUNDS  
STRENGTHEN GLOBAL LINE-UP



We've all heard the statistic that Canada represents approximately five per cent<sup>1</sup> of the world's investment opportunities. In some ways it is a startling number since it underscores just how much lies outside our borders. And while Manulife Mutual Funds enjoys strong Canadian roots dating back to 1949,<sup>2</sup> the global reach of our parent company has positioned us to provide you and your clients with the benefits of a global approach to asset management.

Over the last year, Manulife Mutual Funds has continued to evolve by providing you with improved access to world class money managers. Our fall 2011 product launch is no exception. The following provides an overview of our new funds and the teams that manage them.

## A UNIQUE OFFERING IN THE CANADIAN MARKETPLACE

### Manulife Leveraged Company Class

In the Canadian mutual fund industry, it can be difficult to truly stand out from the crowd. However, this new mandate distinguishes itself by investing primarily in the equity and debt of leveraged companies.

The portfolio management team defines leveraged companies as those that issue below-investment-grade debt or those that employ leverage in their capital structure through borrowing from banks or other lenders. Some of these

companies may be experiencing particularly difficult circumstances.

The team uses robust fundamental analysis to identify out-of-favour, undervalued companies that possess a strong potential to rebound. When they evaluate a company, they gain an understanding of the entire capital structure. Then, if they choose to make an investment, they can select the instrument that reflects the part of the capital structure they believe offers the best opportunity.



**Dennis F. McCafferty,**  
*Managing Director and Portfolio Manager,  
Manulife Asset Management (U.S.) LLC*

Dennis F. McCafferty works on the high-yield fixed-income strategies for Manulife Asset Management (U.S.) LLC. He provides research coverage in distressed situations with a focus on cable and media, paper and packaging, building materials, homebuilders and forest product industries.

**“Volatility and fear create investment opportunities; specific examples include irrational and illiquid markets, industries in turmoil, distressed companies and unique situations that could lead to high price volatility. We make the decision to invest in a company when we can clearly identify a catalyst for unlocking value and suppressing these fears.”**

**– Dennis McCafferty, John Iles  
and Joseph Rizzo**

<sup>1</sup>Source: Bloomberg, as at July 5, 2010. Canadian equities represent approximately 5.27 per cent of the MSCI World Index.

<sup>2</sup>Elliott & Page Ltd.



**John F. Iles,**  
*Managing Director and Portfolio Manager,  
Manulife Asset Management (U.S.) LLC*

John F. Iles is a Portfolio Manager for Manulife Asset Management (U.S.) LLC's high-yield fixed-income and international fixed-income strategies. Previously, he was head of high-yield and emerging market trading for the firm, supporting all funds exposed to high-yield and emerging market bonds.



**Joseph E. Rizzo,**  
*Managing Director and Head Trader,  
Manulife Asset Management (U.S.) LLC*

As managing director and head trader for high-yield securities at Manulife Asset Management (U.S.) LLC, Joseph focuses on high-yield bonds, leveraged loans, convertible bonds and emerging market trading for the fixed-income team.

## STRENGTHENING OUR BALANCED PRODUCT SHELF

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### **Manulife Value Balanced Fund/Class**

Both Canadian and global balanced fund categories are popular among advisors and investors in Canada,<sup>3</sup> and are categories in which Manulife Mutual Funds excels. The new Manulife Value Balanced Fund/Class features the same management team behind the popular Manulife Monthly High Income Fund/Class.

This strategy seeks to provide long-term capital growth by investing in a diversified portfolio primarily consisting of Canadian and global equity and fixed-income securities. This is a highly flexible investment mandate that allows for a wide range of asset allocation alternatives to take advantage of opportunities across the investment landscape.



**Alan Wicks,**  
*Senior Managing Director and  
Senior Portfolio Manager,  
Manulife Asset Management*

Alan Wicks is responsible for the large-cap value equity team, managing both value equity and income-oriented portfolios. Alan's expertise includes the application of a value investing strategy, based on

<sup>3</sup>Source: Investment Funds Institute of Canada (IFIC).

bottom-up, fundamental analysis and discounted cash flow models. Alan will help oversee the equity portion of the fund.



**Duncan Anderson,**  
*Managing Director and Portfolio Manager,  
Manulife Asset Management*

Duncan Anderson is the lead manager on three large-cap dividend equity strategies for Manulife Asset Management: Canadian dividend, global dividend and EAFE dividend. Duncan is a member of the large-cap value equity investment management team based in Toronto, and will also help manage the equity portion of the fund.



**Prakash Chaudhari,**  
*Portfolio Manager,  
Manulife Asset Management*

Prakash Chaudhari is part of the Canadian value equity investment management team that manages value equity and income mandates and currently oversees the Manulife Dividend Fund, Manulife International Dividend Income Fund and Manulife Global Dividend Income Fund (co-managed with Duncan Anderson).

Prakash will also help manage the equity portion of the fund.



**Terry Carr,**  
*Head of Canadian Fixed-Income,  
Manulife Asset Management*

Terry Carr has more than 24 years of experience as a portfolio manager and has deep experience managing fixed-income, including high-yield securities. Terry is responsible for the Canadian total return bond portfolios and high-yield bonds, and currently oversees Manulife Asset Management's money market team. Terry will manage the fixed-income portion of the fund.

“The flexibility of this mandate allows us to allocate the fund’s capital to the very best global value opportunities within the equity or fixed-income markets, while actively managing both country and currency risk.”

– Alan Wicks,  
*Duncan Anderson,  
Prakash Chaudhari  
and Terry Carr*



“We are the geeks who do the fundamental homework early, and then sit tight and wait for an opportunity to take a proactive investment in a company when we know we are being dealt a very good hand.”

– *Walter McCormick and Sandy Sanders*

## CAPITALIZING ON OPPORTUNITIES SOUTH OF THE BORDER

### **Manulife U.S. All Cap Equity Fund/Class and Manulife U.S. Large Cap Equity Fund/Class**

Even though the U.S. economy continues to struggle, many U.S. companies currently appear to be in excellent shape from a balance sheet perspective. With large cash reserves, increased levels of productivity and high levels of profitability, many investment analysts believe that careful selection can reveal a number of U.S. corporations that are well positioned to outperform.

To help investors participate in these opportunities, the Manulife U.S. All Cap Equity Fund/Class will seek to provide long-term capital appreciation by investing primarily in equity securities of U.S. companies of all sizes. Meanwhile, the Manulife U.S. Large Cap Equity Fund/Class will seek to provide long-term capital appreciation by investing primarily in equity securities of large-cap U.S. companies.

The team – who have been working together for a decade – employ a disciplined, fundamental investment process consisting of seven steps. The goal is to uncover companies with a sustainable competitive advantage and cash flow generation. Once the companies have been identified, they determine the right price: when the shares are selling at a significant discount to intrinsic value.



**Walter T. McCormick,**  
*Senior Managing Director and  
Senior Portfolio Manager,  
Manulife Asset Management (U.S.) LLC*

Walter T. McCormick is co-leader of the U.S. core value equity team, which manages large-cap value, large-cap core and all-cap core strategies. Walter is focused on the utility and energy sectors.



**Emory (Sandy) Sanders,**  
*Senior Managing Director and  
Senior Portfolio Manager,  
Manulife Asset Management (U.S.) LLC*

Emory (Sandy) Sanders is co-leader of the U.S. core value equity team, and is focused on the technology, consumer staples and industrials sectors.

## ADDITIONAL NEW INVESTMENT STRATEGIES

Other recent additions to the Manulife Mutual Funds portfolio of global funds include:

### Manulife Asia Total Return Bond Fund

- Managed by Endre Pedersen, Managing Director, Fixed Income, and Yu-Ming Wang, Regional Head of Fixed Income Investments, Manulife Asset Management, Asia
- The strategy invests primarily in a diversified portfolio of fixed-income securities issued by governments, agencies, supnationals and corporations in Asia
- The team seeks to extract value through proprietary research focused on the fast-developing Asian bond markets, as they believe these markets are under-researched due to limited coverage, creating investment opportunities

### Manulife Global Small Cap Balanced Fund

- Managed by Paul Moroz, Portfolio Manager, Mawer Investment Management Ltd.
- A “fund of funds” that consists primarily of an actively managed allocation to the five-star-rated Manulife Global Small Cap Fund on the equity side, and the five-star-rated Manulife Strategic Income Fund on the fixed-income side<sup>4</sup>

### Manulife Global Focused Balanced Fund

- Managed by Ian Lapey, Portfolio Manager, and Thomas Lapointe, Portfolio Manager, Third Avenue Management, LLC
- This fund provides investors with exposure to a carefully selected portfolio of equity and fixed-income securities that meet Third Avenue’s “safe and cheap” investing criteria
- The managers seek to maximize long-term capital appreciation through a bottom-up, deep value investment style that seeks out companies with a strong business model and a margin of safety in the valuation; a secondary objective is to provide income by investing primarily in a select number of high-yield fixed-income securities of companies from across the globe

For more information on these new funds and to learn how Manulife Mutual Funds can provide you and your clients with access to our portfolio of great investment ideas, please visit [manulifemutualfunds.ca](http://manulifemutualfunds.ca) or speak with your Manulife Investments sales representative. ■



<sup>4</sup>The Morningstar Rating, commonly referred to as the Star Rating, relates how a fund has performed on a risk-adjusted basis against its category peers. Morningstar calculates risk-adjusted return by adjusting total return for sales loads, the risk-free rate, and risk. Please refer to [www.morningstar.ca](http://www.morningstar.ca) for greater detail on the calculation of the Star Ratings. Funds are ranked by their Morningstar Risk-Adjusted Return scores with the top 10% and top 22.5% receiving five and four stars, respectively. The Star Ratings are as of July 31, 2011 and are subject to change every month. The Star Ratings for the Funds shown and the number of funds within their categories for each period are: Manulife Global Small Cap Fund within the Global Small/Mid Cap Equity category: 1-year period, (4, 112), 3-year period, (5, 100); and the Manulife Strategic Income Fund within the High Yield Fixed Income category: 1-year period, (3, 119), 3-year period, (5, 67) and 5-year period, (5, 48). Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The historical annual compounded total returns as of July 31, 2011 for the following funds are: Manulife Global Small Cap Fund – one-year 26.8 per cent, three-year 11.2 per cent and since inception (June 2008) 10.5 per cent; Manulife Strategic Income Fund – one-year 8.1 per cent, three-year 12.1 per cent, five-year 9.0 per cent and since inception (November 2005) 7.8 per cent, including changes in share/unit value and reinvestment of all dividends/distributions and not taking into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Manulife Funds and Manulife Corporate Classes are managed by Manulife Mutual Funds.

# Three Mawer-managed funds achieve 5-Star Overall Morningstar Rating™

On June 27, 2011, three of the funds in our “Select” Fund Family sub-advised by Mawer Investment Management Ltd. reached their third anniversary. Managed in the “Growth at a Reasonable Price” (GARP) investment style, these funds now have a three year track record and all three funds have been rated with five stars by Morningstar.

The performance of these funds is a testament to Mawer’s disciplined investment approach and reinforces our commitment to providing you and your clients with high quality funds and investment managers.

## **Manulife Canadian Investment Class ★★★★★**

**Managed by:**



**Jim Hall,**

*Chairman and Portfolio Manager*

*2010 Morningstar Canadian Investment Awards  
Equity Fund Manager of the Year*

- This fund invests in a broad range of wealth-creating Canadian mid & large cap companies, bought at a discount to intrinsic value

## **Manulife Diversified Investment Fund ★★★★★**

**Managed by:**



**Craig Senyk,**

*Director and Portfolio Manager*

- This global balanced fund combines Mawer’s exceptional investment expertise across all asset classes into a single fund solution and applies a tax overlay strategy to help reduce the potential for capital gains distributions

## **Manulife Global Small Cap Fund ★★★★★**

**Managed by:**



**Paul Moroz,**

*Director and Portfolio Manager*

- This fund invests in attractively priced “blue chip, small cap” companies from around the world that offer the potential for long-term growth

The Morningstar Rating, commonly referred to as the Star Rating, relates how a fund has performed on a risk-adjusted basis against its category peers. Morningstar calculates risk-adjusted return by adjusting total return for sales loads, the risk-free rate, and risk. Please refer to [www.morningstar.ca](http://www.morningstar.ca) for greater detail on the calculation of the Star Ratings. Funds are ranked by their Morningstar Risk-Adjusted Return scores with the top 10 and 22.5 per cent receiving five and four stars respectively. The Star Ratings are as of July 31, 2011 and are subject to change every month. The Star Ratings for the funds shown and the number of funds within their categories for each period are: Manulife Canadian Investment Class, within the Canadian Equity category: one-year period [5, 356], three-year period [5, 244]; Manulife Diversified Investment Fund within the Global Equity Balanced category: one-year period [4, 474], three-year period [5, 373]; Manulife Global Small Cap Fund, within the Global Small/Mid Cap Equity category: one-year period [4, 112], three-year period [5, 100]. © 2011 Morningstar Research Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.





# InnoVision YRT

HOW THE REBUILT STRUCTURE IS CREATING  
NEW REAL-LIFE OPPORTUNITIES

Sometimes change is good. Especially when it gives you new options to tell your clients about. Since our InnoVision yearly renewable term (YRT) rebuild in May, we've worked with advisors on a number of new opportunities – opportunities that simply didn't exist before.

Rarely do product changes have such an immediate impact on how a product is sold. Yet in just a few short months, advisors have been telling us about opportunities that wouldn't have been possible with the old InnoVision YRT pricing structure. Looking for some examples where InnoVision YRT is turning heads? Here are two real-life cases. We've changed the names, but the opportunities are real.

## CASE #1

### Younger clients who want low-cost entry into permanent protection

#### InnoVision YRT 100

At 42, Brian\* wanted to invest in permanent insurance that would grow in value over time. He had considered term insurance, but was more interested in the long-term value of a universal life solution.

He spoke to his advisor about InnoVision, but was concerned about fitting the cost into his budget. He was healthy – a Healthstyle 2 – but was still likely facing a significant premium.

Instead of a level cost of insurance (COI) payment structure, his advisor suggested a YRT 100 policy. With reduced rates and

the artificial first year minimum payment eliminated, InnoVision YRT provided a great option for Brian.

His advisor was able to offer \$750,000 in coverage with a premium of just \$82.35 per month. That's more than 80 per cent lower than the level COI rate for the same

#### COMPETITIVE COMPARISON (AS OF AUGUST 2011)

Male, age 42, HS2 – \$750,000 yearly minimum funded 2.5 per cent, level death benefit	InnoVision	Canada Life	Sun Life
<b>Minimum initial premium</b>	<b>\$988</b>	\$1,094	\$1,447
<b>Cumulative premiums at year 10</b>	<b>\$12,888</b>	\$15,634	\$18,743
<b>Cumulative premiums at year 20</b>	<b>\$42,956</b>	\$50,723	\$56,963

\*Names have been changed for these examples.

## THE FACTS

**Product:** InnoVision YRT 100, \$750,000 death benefit, Face Plus

**Entry cost:** \$82.35/month

**Value added:** When his income increases in the future, Brian can switch to a level COI policy.\*

**Final word:** Great rates and a manageable low entry cost, plus a competitive commission for you, make YRT 100 worth a look for younger clients.

\*Switches to level COI are available on or after the second policy anniversary. The switch to level COI is at attained age rates. Level COI rates are not guaranteed to be the rates in effect when the policy was issued.

coverage amount. In fact, it will take Brian over 20 years before his YRT premium is equal to his initial level COI premium.

The entry price was far better than Brian's expectations. Even when the YRT premium is greater later in his life, he figures his financial picture will have changed dramatically.

### **But did the YRT policy offer as many guarantees as a level COI policy?**

The answer is yes. YRT rates are guaranteed and printed in the policy contract. They will never change after the policy is issued. And InnoVision guarantees an account crediting at least 2.5 per cent at all times – applicable to level COI and YRT coverage.

### **And how does InnoVision's YRT pricing compare to the competition?**

Even better news for Brian: The YRT repriced made InnoVision very competitive. It's a great option that meets his needs and offers terrific value for a market-leading product.

## CASE #2

### **Can a shorter payment duration trump the lower annual cost of a level COI UL solution?**

#### **InnoVision YRT 85/15**

Gary, a 59-year-old male client (non-smoker), has decided to bolster his legacy. He's investing in a \$1 million InnoVision insurance policy as part of his estate planning strategy.

His advisor originally quoted a level COI price of \$20,048 per year based on a Valued Client Bonus at a 2.5 per cent interest rate. But after hearing about the new InnoVision YRT structure, his advisor decided to look at YRT 85/15 as an option. When he ran the numbers, he discovered something unexpected, and very compelling.

### **Would your client pay more for a potentially shorter payment period?**

Gary would pay a bit more per year with a YRT 85/15 plan – \$21,204, or about



5.8 per cent more than the price for the level COI option – but his payments would end at age 85, instead of continuing to age 100. And that’s at the guaranteed interest rate of 2.5 per cent. Modestly higher rates of return of as little as four per cent could reduce the YRT 85/15 cost to age 85 to less than the level COI cost to age 100.

Would a level COI solution to age 85 provide a lower cost? No. It’s actually higher, at \$23,173.

The cost certainty is very attractive to Gary. For a relatively small premium increase, his policy would be fully paid for at age 85. Either way, his advisor provided valuable information and a great option to consider. ■

## THE FACTS

**Product:** InnoVision YRT 85/15, \$1,000,000 death benefit, Level Face

**Level COI annual cost:** \$20,048

**YRT 85/15 annual cost:** \$21,204

**Value added:** Gary benefited from a low-cost UL solution with guarantees.

**Final word:** Don’t assume all clients are focused on the lowest payment. Some will put more value on a higher monthly premium, but with fewer payment years. It’s worth asking your clients what they value – for some, the cost certainty and payment-free years are worth it.

## REWARDING YOU FOR YRT SALES

At **85 per cent**, the InnoVision YRT commission rate is the **highest** in the industry. Plus, if your client switches from YRT to level COI (available on or after the second policy anniversary) you earn a 30 per cent commission on the switch.

### InnoVision YRT rebuild highlights:

- **No more artificial first year minimum deposit** – lowering entry rates
- **Reduced most rates significantly** – making InnoVision extremely competitive
- **Maintained low cumulative rates** – creating an attractive long-term solution
- **Built a new 85/15 structure** – attracting clients looking to pay for their policy quickly

# Who says everything has to be level?



Not used to thinking about InnoVision for yearly renewable term (YRT) insurance? That'll change. We've rebuilt our YRT structure.

Simple design. Competitive rates. New 85/15 structure. Refreshed commissions.



 **Manulife Financial**  
| For your future™

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When it comes to retirement income planning,  
expect great things from Product Allocation.  
Like more clients.



Product Allocation from Manulife – the one-of-a-kind retirement planning approach that provides a clear measure of the sustainability of your clients' retirement plans, as well as actionable steps to help ensure their income will last their lifetime. To see how it can help your business, visit [productallocation.ca](http://productallocation.ca)



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# Close the retirement income gap!

## REAP THE REWARDS OF PRODUCT ALLOCATION

Since Manulife teamed up with Dr. Moshe Milevsky and the QWeMA Group of Toronto to give advisors a comprehensive strategy for providing retirement income for their clients, advisors have been responding with considerable interest. And for good reason – those who have incorporated the Product Allocation process into their business are now reaping the rewards.

A recent Manulife survey<sup>1</sup> showed that two-thirds of advisor respondents are familiar with the Product Allocation Tool, and **seven in 10 of those advisors** are now using this strategy with existing clients and prospects. We have also learned from working with Product Allocation users that advisors find the Product Allocation Tool to be a powerful way to provide:

- A quick portfolio review for older prospects
- A final review before a full financial plan is completed
- An important complement to a financial plan that supports their product recommendations
- A means of helping to determine the best course of action when Guaranteed Interest Contracts (GICs) or bonds mature
- A confidence-building tactic for clients who remain skeptical about their recommendations

Furthermore, advisors report that Product Allocation's Retirement Sustainability Quotient (RSQ) concept (a percentage measure of how likely it is that a mix of investment products will provide desired lifetime retirement income) is something clients can relate to and understand.

## ABOUT PRODUCT ALLOCATION

You know how important it is to ensure that your clients are able to generate guaranteed income for life. Recognizing this issue, Manulife provides advisors across Canada with access to our proprietary Product Allocation Tool ([productallocation.ca](http://productallocation.ca)). It's an easy way to help determine if converting a portion of your clients' savings into a guaranteed stream of retirement income is in their best interests.

Although a wealth of product choices are available to advisors, Product Allocation groups these products into three categories, including both guaranteed and non-guaranteed sources of income to help meet financial goals and mitigate various financial risks that clients will face in retirement:

1. Systematic Withdrawal Plans (SWPs)
2. Guaranteed Income – Fixed (such as annuities)
3. Guaranteed Income – Variable (such as Guaranteed Minimum Withdrawal Benefits, GMWBs)

Chart 1 provides a high-level summary of how the various product categories can help address risks in retirement and preferences expressed by many retirees.

82 per cent of advisors using Product Allocation report that clients are more willing to consolidate their investments and financial products with one advisor.<sup>1</sup>

<sup>1</sup>The Manulife Financial Product Allocation survey, completed by 962 advisors from across Canada between May 4 and 20, 2011.

CHART 1: PRODUCT ALLOCATION CATEGORIES – THEIR BENEFITS AND HOW THEY PROTECT AGAINST RISK

	PRODUCT CATEGORY	PROTECTION AGAINST RISKS			BENEFITS		
		LONGEVITY	INFLATION	SEQUENCE OF RETURNS	LEGACY VALUE AND LIQUIDITY	SUSTAINABILITY	GROWTH POTENTIAL
NON-GUARANTEED SOURCES OF INCOME	SWP ACCOUNT	No	Only if markets perform well	No	Yes	Only if markets perform well	Yes
GUARANTEED SOURCES OF INCOME	PENSIONS, ANNUITIES	Yes	Yes – if you can purchase an indexed annuity	Yes	No	Yes	No
	GMWBs	Yes – but less than an annuity	Only if markets perform well	Yes	Yes – but less than a SWP account	Yes – but less than a SWP account (due to fees)	Yes – but less than a SWP account (due to fees)

Source: Pensionize™ your nest egg. Moshe A. Milevsky, PhD, and Alexandra C. Macqueen, CFP.

For more information about Product Allocation from Manulife™, please visit [productallocation.ca](http://productallocation.ca). There you will find online videos, advisor testimonials, marketing materials and details on how to use our proprietary Product Allocation Tool to help build your business. You can also find the assumptions for product categories and market returns on the last two pages of any Product Allocation client report.

## HOW PRODUCT ALLOCATION CAN HELP YOU BUILD YOUR BUSINESS

If you are looking for additional strategies to tap into the retirement market, Product Allocation can help you in the following ways:

- **Consolidation of assets** – investors realize that it is beneficial to have one advisor who can see their complete picture, and 82 per cent of advisors using Product Allocation report that clients are more willing to consolidate their investments and financial products with them<sup>1</sup>
- **Point of differentiation** – the retirement income market is exploding in size and Product Allocation gives you a unique approach to attract clients in this demographic group
- **Increase the value of your book of business** – you can build the value of your book of business by increasing revenue and becoming your clients’ advisor of choice

## PUTTING PRODUCT ALLOCATION INTO PRACTICE

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Product Allocation is a strategy and approach, similar to asset allocation. Unlike a simplistic product solution that might be “once and done,” Product Allocation is a complementary process that involves several steps and periodic reviews<sup>2</sup>. Here is how you can integrate this strategy into your practice:

- 1. Select clients** in the Retirement Risk Zone – those within 15 years of retirement or in retirement no longer than 15 years.
- 2. Stress test** their existing portfolio to determine the likelihood of its sustainability – the goal is to obtain an RSQ score of 90 per cent or more.
- 3. Let the Product Allocation Tool generate an optimal Product Allocation** using the three product categories.
- 4. Adjust the category weightings** as desired to meet client preferences – for example, raising the SWP weighting would trade off some RSQ points to help increase legacy values (don’t forget to save the PDF scenarios you use with clients for future reference).
- 5. Use the strategic allocations** as a guide for selecting specific products for the client – for example, the annuity income shown in the client report is based on a Single Premium Immediate

Annuity with a three-year guarantee period, whereas you may recommend a different specific product choice for a given client.

- 6. Generate specific product illustrations** – these support your final recommendation.
- 7. Implement the sale(s)** – you may need to convert your client’s assets to their ultimate allocation over time due to the timing of maturities, when surrender charge periods expire, etc.
- 8. Review** their situation periodically and re-run a Product Allocation report as appropriate.

Advisors state that clients appreciate receiving the Product Allocation report, which really helps them consider the need to incorporate lifetime income products into their retirement plan. And because it requires so few inputs to generate, it’s a great value-added service to include at every review.

## DEMONSTRATE YOUR EXPERTISE

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Tomorrow’s retirees face a range of financial risks. Manulife is a leader in the retirement income market and we are expanding the options for you and your clients this year (see the article in *Advisor Focus*, Spring 2011 for information about the Manulife Principal Protected Annuity™ and page 4 of this edition for information about Manulife PensionBuilder™).

Product Allocation helps you demonstrate your expertise in this area and the strength of the company supporting you. It can provide you with a true competitive advantage since your clients will gain a heightened sense of confidence knowing that their advisor has the right knowledge and tools to design a sustainable retirement income plan.

To familiarize yourself with Product Allocation from Manulife, please visit [productallocation.ca](http://productallocation.ca) or call your Manulife Investments sales representative. ■



<sup>2</sup>The Product Allocation Tool is intended to be used as a complement to advisors’ review and analysis of their clients’ portfolios. Any output or recommendations from the Product Allocation Tool do not replace or supersede KYC (know your client), suitability, needs analysis, or any other regulatory requirements.



**FLORENCE MARINO, LL.B., TEP**  
**AVP, TAX & ESTATE PLANNING GROUP**  
**MANULIFE FINANCIAL**

Florence Marino is the AVP of the Tax & Estate Planning Group, Head Office. Prior to joining Manulife in 1989, she practiced tax law with Stikeman, Elliott in Toronto. Her experience includes development of advanced tax and estate planning strategies and consulting support. She speaks at numerous conferences and seminars and has published many articles in legal, tax and industry publications. She is co-editor of the Tax & Estate Planning Group's publication *Canadian Taxation of Life Insurance*, published by Carswell.

I get a lot of questions. Sometimes they're easy to answer: what time's dinner? And sometimes the answer is a little more involved. Like this one: what are the economic and tax consequences of transferring a policy from a shareholder to his or her corporation? But I do have the answer. Here it is (in case you were asking).

For income tax purposes, the shareholder has a disposition of the policy. Because the transfer is between parties who are not at arm's length, subsection 148(7) of the *Income Tax Act* will apply. This subsection deems both the proceeds of disposition to the shareholder and the adjusted cost base (ACB) to the corporation to equal the cash surrender value (CSV) of the policy. These tax implications to the transferor (i.e., the shareholder) and the transferee (i.e., the corporation) are the same regardless of

whether the policy is transferred for no consideration or the corporation pays for the policy.

In many cases, the corporation will pay an amount equal to the CSV to the shareholder as consideration for the policy. Since the shareholder has calculated his or her proceeds to be equal to the CSV and given the corporation the policy as consideration, there is no taxable shareholder benefit. This allows the

corporation to distribute an amount equal to the CSV of the policy to the shareholder without incurring any further tax (aside from any policy gain triggered on the shareholder's disposition of the policy).

If the shareholder can substantiate that the policy has a fair market value higher than the CSV, then the shareholder may be able to receive consideration from the corporation greater than the CSV of the policy without attracting additional

taxation in the hands of the shareholder. (As an example, the fair market value of a policy may exceed the CSV if the health of the insured has declined since issue or the replacement value of the coverage is higher.)

Provided that the consideration paid does not exceed the fair market value of the policy, no shareholder benefit should result. This is no different than a shareholder selling any other asset to the corporation. However, in the case of an insurance policy, even though a higher amount may be paid, the proceeds to the shareholder on disposition of the policy remain equal to the CSV, as deemed by subsection 148(7), so there is no impact on the shareholder's policy gain.

The Canada Revenue Agency (CRA) has confirmed this tax result notwithstanding that they don't particularly like it. As a consequence, the shareholder has essentially extracted the difference

between the fair market value of the policy and the CSV on a tax-free basis. Note that the corporation's new ACB of the policy would remain equal to the CSV (not the higher fair market value). This lower ACB would impact future policy gains, but could also be an advantage in that the credit to the capital dividend account (CDA) upon death of the life insured would be greater. (The CDA credit is equal to the death benefit proceeds minus the ACB of the policy.)

It would generally be prudent to obtain an independent valuation of the policy to substantiate the fair market value before undertaking such a transaction. There are several actuarial consulting firms that will do such a valuation.

Although this may be an attractive strategy for extracting funds from a corporation, before proceeding you should consider other longer-term implications, including:

- A corporate-owned policy is exposed to the creditors of the corporation
- To avoid shareholder benefit tax issues, the corporation will generally be the beneficiary of the policy; given this, consider whether there is an appropriate and tax-efficient method to get the death benefit to the intended beneficiary
- Undesirable tax consequences (such as shareholder benefits) may arise if there is a need to transfer the policy prior to death (e.g., if the corporation is sold)
- The cash surrender value of the policy is a passive asset to the corporation that will affect the value of the shares of the corporation at death or on emigration of the shareholder, and could impact eligibility of the shares for the enhanced capital gains exemption
- Stop-loss rules may have an impact on the taxation of the shares at death ■





**JOHN NATALE, LL.B., B.COMM., EPC, CFP  
AVP, TAX AND RETIREMENT SERVICES  
MANULIFE INVESTMENTS**

With over 10 years of providing expertise to wealth management advisors on tax, investment, estate planning and retirement income strategies, John Natale leads the Manulife Investments Tax and Retirement Services (TRS) team – a group of accountants, lawyers and other specialists skilled in proactively identifying opportunities for clients based on changing regulatory environments and the market.

## IDEAL CANDIDATES FOR MUTUAL FUND CORPORATIONS

Corporate class funds may accelerate the rate of growth of a non-registered portfolio by potentially deferring taxes on capital gains, reducing taxable distributions and paying more tax-efficient distributions.

A mutual fund corporation is a single taxable entity consisting of several classes of shares, with each class representing a different mutual fund. This allows mutual fund corporations to offer several tax benefits to non-registered investors.

### TAX ADVANTAGES

1. Your clients can switch between funds without triggering capital gains or paying redemption fees. A transfer of

one class of shares for another is not considered a taxable event.<sup>1</sup>

2. There is more flexibility in reducing potential taxable distributions, because a corporation can offset the income and capital gains of one fund with the expenses and capital losses of another.

3. Taxable distributions can only be paid to investors in the form of an ordinary dividend or a capital gains dividend

(which is taxed as a capital gain). Since a corporation cannot flow through ordinary income (i.e., interest or foreign income), it may convert the ordinary income to capital gains, if there is any left over after expenses. Although there is a cost for converting to capital gains, this may still be preferable because only 50 per cent of the capital gains are taxable, resulting in potentially higher after-tax returns.

<sup>1</sup>However, any capital gains realized by the corporation to finance the fund switch (to the extent these are not offset by capital losses) may have to be distributed at year-end.

## WHO CAN BENEFIT?

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These tax advantages may be attractive to the following individuals.

### **Investors in fixed-income and/or foreign funds**

Interest or foreign income earned by the corporation will usually either be offset by expenses or converted to capital gains, which can be reduced by capital losses (if any) or (if there aren't sufficient losses) will be distributed to investors as capital gains. So with fixed-income or foreign funds, either nothing will be distributed at year-end or capital gains will be distributed, of which only 50 per cent will be taxed.

### **Investors who frequently switch funds**

Fund switches, for example to rebalance a portfolio, may result in tax consequences. A corporate class structure can potentially reduce those taxable capital gains and leave more money invested.

### **Seniors**

Corporate class funds in a non-registered portfolio can help reduce the amount of income reported on a tax return, and consequently potentially preserve more income-tested benefits from the government, such as Old Age Security.

### **Incorporated business owners**

Interest and foreign income earned on investments owned by a corporation

are considered passive income and generally taxed at rates higher than the top individual tax rates. Using corporate class funds for corporate investments can potentially reduce taxable distributions and avoid the distribution of interest and foreign income that are subject to the high passive income tax rates.

### **Investors looking for income**

Series T corporate class funds provide income-oriented investors with a regular stream of tax-efficient monthly distributions. All or a significant portion of the distribution is likely to be considered a tax-free return of capital (ROC). This defers the triggering of capital gains from monthly withdrawals. However, there may still be taxable distributions, as with typical corporate class funds.

Each distribution of ROC reduces the adjusted cost base (ACB) of the investment. When the ACB reaches zero, additional ROC distributions are taxable as capital gains, which is still tax-efficient since only 50 per cent of capital gains are taxable.

## TAKE ACTION

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If you have clients who could benefit from mutual fund corporations, order and mail out client-friendly brochures, which include more details, by referencing MK2529E or accessing electronic copies at Repsource. ■

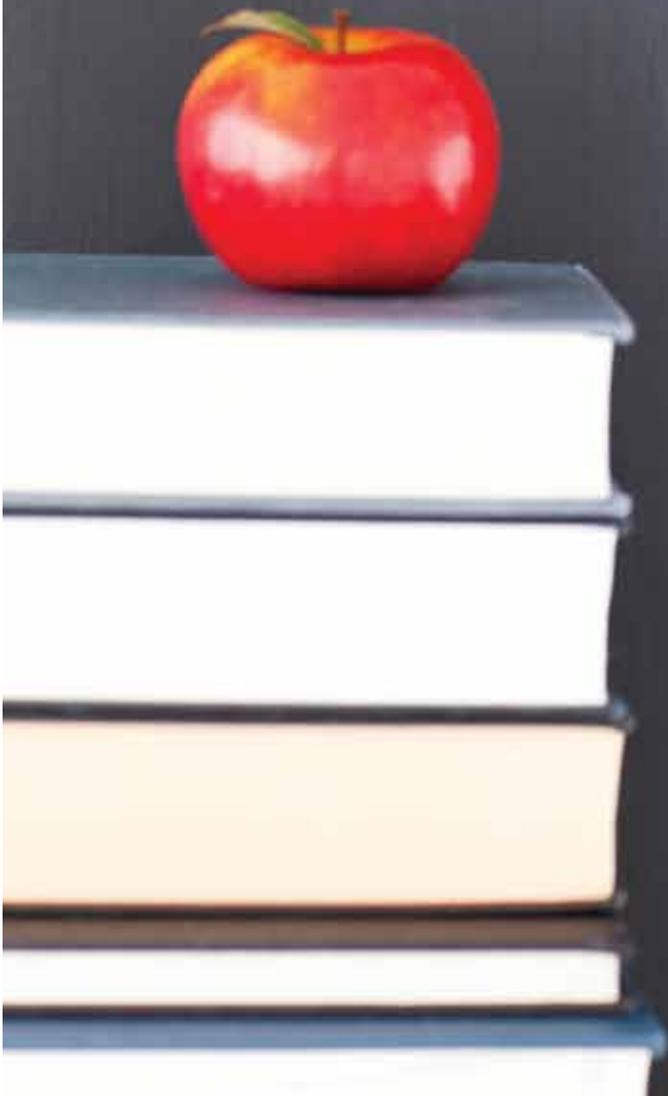
Mutual fund corporations may be attractive for investors with non-registered portfolios who want the potential to:

- Avoid capital gains on fund switches
- Reduce taxable distributions
- Receive more tax-efficient distributions

Distributions are not guaranteed, may fluctuate and should not be confused with a fund's performance, rate of return or yield. Distributions paid as a result of capital gains realized by a fund and income and dividends earned by a fund are taxable in the year they are paid.

The monthly Series T distributions are not guaranteed. If the mutual fund's rate of return is less than the distribution payout rate, the value of the investment will decrease over time, as will the amount of the monthly payments.

A +



# High marks

for Manulife's  
disability insurance

HOW OUR NEW GRAD ADVANTAGE  
PROGRAM™ MAKES THE GRADE  
WITH YOUNG PROFESSIONALS

Manulife's new Grad Advantage Program (GAP) is getting high marks with advisors and their clients. It's an innovative way for students and new grads in specified professions to secure affordable disability coverage with Proguard Series, Manulife's premier income replacement protection coverage.

With GAP, Proguard Series can be more affordable, which helps your clients get off to a good start. Combined with two Proguard Series features – Automatic Coverage Enhancements (ACE) and the Additional Insurance Rider (AIR) – it can provide as much growth potential as the budding careers of these new professionals.

### ACE THE TEST OF TIME WITH AUTOMATIC ANNUAL COVERAGE INCREASES

With ACE, a feature built right into each Proguard Series policy (issue ages 50 or less, standard risks only), the monthly disability benefit is automatically increased by five per cent each year (compounded) up to age 55, as long as your client is not disabled or in receipt of recovery benefits. It's subject to financial underwriting every three years and a medical questionnaire every ninth policy anniversary.

So what makes ACE ace? For a young client, it increases coverage simply and automatically – every year – and the premiums for the coverage increases are based on the guaranteed original rate scale.

### HEAD-OF-THE-CLASS COVERAGE WITH THE ADDITIONAL INSURANCE RIDER (AIR)

On top of the automatic adjustments provided by ACE, the optional AIR feature gives your clients an even greater opportunity to increase their coverage each year,<sup>1</sup> up to age 55, with financial underwriting only. This option is ideal for young professionals who have the potential for dramatic increases in their earnings. And, clients eligible for GAP can buy higher amounts of AIR coverage at issue.<sup>2</sup>

Automatic Coverage Enhancements (ACE) and the Additional Insurance Rider (AIR) provide disability insurance growth potential for your new grad clients.



<sup>1</sup>Additional Insurance rider (AIR) coverage increase options are restricted if the client is on claim or in receipt of recovery benefits.

<sup>2</sup>Additional Insurance rider (AIR) limits increased in April 2011 for occupation classes 4S, 4A, 3A, 2A and A.

## Bonus marks – coverage can build quickly through these special terms:

The **first time** a client purchases additional coverage using AIR, he or she is eligible to purchase **double the allowed option amount**.

If your **client loses** his or her group long-term disability (LTD) insurance coverage, he or she may be eligible to purchase **double the allowed option amount**.<sup>3</sup>

### WHO IS ELIGIBLE FOR THE GAP DISCOUNT?

Many students and new grads in the following specific occupations qualify for the GAP discount:

- Accountants
- Actuaries
- Architects
- Dentists
- Engineers
- Lawyers
- Optometrists
- Pharmacists
- Physicians

Other students and new grads in occupations that are eligible for GAP issue limits can still benefit from our competitively priced Proguard Series rates.

AND

If the coverage your client purchases as a result of losing group insurance is also the **first time** he or she is purchasing additional coverage using AIR, your client may be eligible to purchase **quadruple the allowed option amount**,<sup>3</sup> all with financial underwriting only!

When you use ACE and AIR increases on top of the original GAP coverage limits, you get a disability solution that really grows with your clients' earnings.

### HERE'S HOW THE MATH WORKS

Your client is a new dentist in general practice. Under GAP, she may qualify for Proguard Series with a **\$3,500** monthly benefit and **\$15,500** of AIR coverage.

In combination with the built-in ACE feature, she may be able to increase her monthly benefit as her income grows<sup>1</sup> – with no medical underwriting – to as much as a **\$24,500 monthly benefit** in just **seven years**.

**Your new grad clients may not be making a lot of money at the beginning of their careers, but they will get there – fast. So make sure their disability coverage keeps making the grade. ■**

<sup>3</sup>To exercise a special AIR option due to losing group LTD, the client must be working full-time and must apply within 90 days of losing the group coverage. Group coverage must be terminated because the client left his or her place of employment or the plan was terminated by the employer.

## CLOSE THE GAP WITH ANSWERS TO COMMONLY ASKED QUESTIONS

**Q: Does the GAP discount<sup>4</sup> apply to future increases in coverage?**

**A:** Yes. Any coverage increases that result from ACE or AIR purchases, even if they occur years later, also benefit from the GAP discount.

**Q: My client graduated six months ago from dental school and has begun practicing. Can he still qualify for the GAP limits and discount?**

**A:** Yes. Where we've indicated that the GAP discount and limits are available in the "first year of practice," we mean the client can qualify for 12 months following graduation. If the client is not intending to practice right away or graduated more than three months ago and is still not practicing, we may postpone issuing the policy.

**Q: Based on the income my client is earning, she qualifies for more than**

**the GAP limits. Will you issue her more? And will she still qualify for the discount?**

**A:** Yes. We can base the monthly benefit on the client's verifiable income if that justifies a higher monthly benefit. In this case, we would be using the regular financial underwriting approach. And, if the client would have otherwise qualified for the GAP discount, he or she can still receive the discount.



<sup>4</sup>The GAP discount applies to all Proguard Series premiums and policy fees. The 15 per cent GAP discount reduces to five per cent if the Premium Refund rider is added at issue or afterwards. Clients qualify for the better of the GAP discount and any group volume discount or employer list billing discount.



# Help him gain the advantage.

## With Manulife's Grad Advantage Program™!

Special disability insurance discounts and benefits available only to students and new professionals. **Visit [Repsource](#) to find out more.**



 **Manulife Financial**  
| For your future™

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# WHAT'S NEW?

## RECENT UPDATES TO PRODUCTS AND SERVICES

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### INVESTMENTS

#### Manulife PensionBuilder™

See page 4 to learn more on how this innovative income solution can help fill the gap of retirement income.

#### Product Allocation

Encourage your clients to try the new RSQ Calculator at [helpmysavingslast.ca](http://helpmysavingslast.ca). They can then benchmark their RSQ range against other Canadians on Manulife's Guidebook on Facebook.

#### Solutions Web Tool

We've introduced a new "Post a Link" feature. Create a custom link to post on your website, electronic newsletters or social media sites. Visit [manulifeinvestments.ca/solutions](http://manulifeinvestments.ca/solutions).

#### New Mutual Funds

Manulife Mutual Funds has launched several new funds. These include a Canadian first – Manulife Leveraged Company Class – as well as a new balanced fund and more global funds focused on emerging markets. See page 16 for details.

#### Manulife Mutual Funds Website

We recently made a variety of design, navigation and content updates to [manulifemutualfunds.ca](http://manulifemutualfunds.ca). Features include one-click access to the most popular sections, Multi-Media Centre updates, an enhanced Portfolio Management section and more.

### INSURANCE

#### Let's Talk Synergy

**Let's Talk Synergy** is a series of conversation starters to help you sell Synergy. You'll find this valuable tool on the Synergy Marketing Material page on Repsource.

#### Synergy Calculators

We've added an insurance needs calculator to [manulifesynergy.ca](http://manulifesynergy.ca). Help your clients determine how much coverage may be right for them.

In addition, Synergy's **electronic rate calculator** is now available on Repsource. There's a paper version available too, which is great for your client meetings (MK2555E).

#### Synergy Added to ez-app

You can now use Manulife's ez-app for Synergy.

#### InnoVision YRT

Identify new opportunities for InnoVision. Visit the InnoVision page on Repsource to see "Manulife's YRT triple threat" and "Is InnoVision YRT 100 on your radar?"

#### Updated Universal Life Managed Accounts

We've introduced new investment accounts for InnoVision, UltraVision and UL100. Find the details and transition rules on Repsource.

**For more information, visit Repsource at [manulife.ca/repsource](http://manulife.ca/repsource). ■**



# Everywhere you go, people are talking about Synergy<sup>®</sup>

Word's out. Everyone's talking about Synergy, Manulife's new insurance solution.

It's a life insurance policy, a disability insurance policy and a critical illness insurance policy all rolled into one easy-to-manage, affordable plan.

Are your clients talking about Synergy?

Get them started. **Visit [www.manulifesynergy.ca](http://www.manulifesynergy.ca)**



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